NOTES

WASHINGTON NOTES

A new turn in the so-called "money trust" investigation in the House of Representatives has been taken by the passage on April 25 of a new form of resolution intended to broaden the inquiry and thereby to afford a basis for more thorough work (House Resolution No. 504, 62d Cong., 2d sess.). This action came as a surprise inasmuch as it had been supposed that the investigation was proceeding favorably under the terms of the narrower resolution adopted some time ago and already noticed in these pages. The new resolution differs from the other in that it is far longer and more specific, making many detailed statements of alleged fact concerning the conditions believed to exist in the banking world at the present time, while it also directs an inquiry involving an immensely greater amount of detailed investigation into specific conditions. Following closely upon the passage of this resolution, the so-called money trust subcommittee of the House Banking and Currency Committee engaged Samuel Untermyer of New York and Edgar J. Farrar of New Orleans to take charge of the investigation. Under the terms of the resolution, it is intended to make inquiry into the relations between banks and financial enterprises of various sorts, particularly the conditions prevailing in the life insurance field. The stock-ownership system by which various banks are controlled under a single management and whereby trust companies organized under state law are employed to exert a control over national banks through the ownership of the stock of several such institutions are especially singled out for study. Stock exchanges and their transactions are also mentioned. The understanding is that a considerable part of this investigation is to consist (although the resolution does not specifically say so) of an inquiry into the conditions upon which credit has been refused by various banks to concerns which were presumably entitled to such credit. There is

an assumption that in these cases the refusal of credit has been due to intervention on the part of business rivals who desired to see the operations of the would-be borrowers limited as much as possible. Numerous more or less authentic instances of this kind of work have already been brought to the attention of members of the committee and more are expected to be developed on the witness stand. In this way, the scope of the investigation has been almost entirely changed. The outcome is due to the efforts, very largely, of radical Democrats, among whom must be mentioned W. J. Bryan, whose intervention from time to time has operated to encourage and consolidate the wing of the party in the House which acknowledges his leadership. The new form of the resolution directs the committee—

To fully inquire into and investigate, among other things, whether and to what extent—

a) Individuals, firms, national banks, and other moneyed corporations are engaged in or connected with the management of financial affairs of interstate railroad or industrial corporations, or life insurance companies. . . . .

b) The marketing of the securities that have been from time to time issued by interstate railroad and industrial corporations has been by competitive bidding or otherwise.

c) Changes have been procured in the general laws of any of the states under which such interstate corporations are organized in the interest or upon the procurement of such corporations, and for what reason and by what methods and influences such changes were accomplished.

d) Individuals, firms, national banks, and other moneyed corporations interested in or in any wise connected with such interstate corporations are enabled by reason of their relations or connection with other interstate corporations or with other individuals, firms, national banks, moneyed corporations, or life insurance companies, or otherwise to prevent or suppress competition in the interest of such interstate corporations, or to protect or assist the latter in preventing or suppressing competition.

e) Such interstate corporations and the individuals, firms, national banks, and moneyed corporations are mutually benefited and protected against competition and otherwise by the relations existing between them.

f) National banks and other moneyed and other institutions are directly or indirectly owned, dominated, or controlled through their directors or through stock ownership, official management, patronage, or otherwise by the same persons, interests, groups of individuals, or corporations that are also directly or indirectly interested in other national banks or moneyed or other corporations located in the same city and in interstate corporations that are customers of said national banks and other moneyed corporations.

g) The same individuals are officers or directors of, or were or are directly

or indirectly interested in or dominate or control, or heretofore dominated or controlled, in any way, more than one national bank or moneyed corporation.

h) The funds or credit of national banks and other moneyed corporations or life insurance companies are or have been used or employed other than in making current loans to merchants or on commercial paper, by whose influence or direction such funds or credits were so used or employed. . . . .

i) Any national bank or other moneyed corporation, whether directly or indirectly, or whether through or by means of another corporation having substantially the same officers, management, control, or stockholders, or with stock paid for by the dividends of a parent or affiliated company has acted as an issuing house, or in offering securities to the public or to investors, or has speculated or is speculating in stocks. . . . .

j) The management and operations of the New York Stock Exchange and the New York Clearing House Association are, or may be directly ro indirectly, dominated, controlled, or otherwise affected by individuals or groups of individuals who control or are influential in directing the use or deposits of the funds of national banks in the City of New York. . . . .

k) Any individual, firm, or corporation, or any one or more groups of such individuals, firms, or corporations, may or can affect the security markets of the country through the New York Stock Exchange, or can create, avert, or compose panics by the control of the use and disposition of moneys in the banks and other moneyed or other corporations that are controlled by such individual, firm, or corporation, or by other means.

l) There is any connection between the relations of bankers, banking firms, and their associates to the railroad and industrial corporations engaged in interstate commerce, and the relations of such bankers, banking firms, and their associates to the national banks and other moneyed or other corporations, and the relations of any of these interests to any of the others that operate to protect such interstate corporations against competition or are or may be used for that purpose.

Pursuant to the plans matured by the leaders, prior to the passage of this very broad resolution, the Banking and Currency Committee has undertaken an elaborate inquiry into the doings of banks all over the country. The method adopted has been to send to the banks on April 29 a series of blanks drawn up by a local accountant and accompanied by a letter signed by Representative A. P. Pujo, the chairman of the committee. In this letter, Mr. Pujo has directed attention to the terms of the resolution passed by the House and says: "In furtherance of this investigation, you are respectfully requested to compile from the records of your bank as appears therein at the close of business on April 30, 1912, and promptly transmit to the Committee on Banking and Currency on

the inclosures, the statistical and general information indicated." The "inclosures" include (*a*) a blank calling for the stocks, bonds, and other securities owned, the date acquired, price paid, book value, and market value; (*b*) the securities purchased from officers, indicating from whom acquired, date, price paid, book value, and market value; (*c*) the loans to financial institutions and to individuals secured by stocks of financial institutions and stating the name of the institution, the date of the loan, the amount of the loan, the market value of the stock, and the number of shares held as collateral; (*d*) the syndicate or underwriting operations engaged in, showing a description of the securities, the total amount of the issue, the amount paid by the syndicate or underwriter, the price at which publicly marketed, the net profit to the bank, and all further details; (*e*) the amount due to and from banks; (*f*) the miscellaneous resources and liabilities of the institution; (*g*) the stock holdings and loans of the officers, directors, and stockholders showing the amount of loans obtained as maker and as indorser, the shares owned, with date purchased, number, etc., the amount of overdrafts and in whose favor; (*h*) the affiliations of the institution as indicated by joint ownership of stock by stockholders, the number of banks merged in the organization, etc.; (*i*) the balance sheet of the concern. Hardly had the blanks been issued, when it appeared that under the existing national banking law the power to make inquiries of this sort was probably solely vested in the Comptroller of the Currency, such power having been thus limited for the purpose of giving the Comptroller opportunity to get all necessary information without arousing alarm on the part of banks lest the data thus provided by them should be used for some purpose inimical to their interest. Meetings were held in many different cities and general resistance on the part of banks appeared to be threatened. The result has been the introduction into the House of a bill giving to Congress, or either branch thereof, the power to make inquiries of this kind independent of the Comptroller of the Currency whenever it may be deemed best. The probability is that this bill will shortly be passed and thus the power to compel the complete compliance with the demands for information carried in these schedules will be sustained. In consequence, more data about the internal financial operations of the banks will be secured than have been heretofore available anywhere except in the office of the Comptroller of the Currency. The attitude of the Comptroller himself on this whole subject has been extremely interesting, inasmuch as he practically declined to conduct the inquiry himself, on the ground that to do so would endanger the good understanding which had been

established with the state banks since the beginning of his administration. The question of the degree of publicity to be given to the results of this inquiry is still unsettled.

A new phase of the tariff situation in Congress has been developed by the action of the so-called progressive Republicans in the Senate in declining to accept the bill revising the steel tariff passed in the House of Representatives some time ago and in bringing forward a measure of their own. The latter bill has been offered by Senator A. B. Cummins of Iowa (Senate amendment to H.R. 18642, 62d Cong., 2d sess.). This bill was offered on April 29 and was significant as indicating the development of a distinct position on the steel question intended to be intermediate between that of the Democrats and of the conservative Republicans, the latter having refused to take any action by way of revision, while the former (Senate Report No. 591, Pt. 2, 62d Cong., 2d sess.) had indorsed the steel bill of the House of Representatives (H.R. 18642) in a report which repeated the assertions of the report prepared by the Ways and Means Committee at the time when the House bill was first officially placed before the lower chamber. A compilation of rates showing comparisons between present schedules, the proposed rates of the House, and those of the Cummins amendment shows that the probable ad valorem equivalent of the House measure would average from 19 to 22 per cent, while the probable average rate imposed under existing law was about 33 to 37 per cent. The Cummins bill would figure out at about 25 per cent. The figures are of course not absolutely accurate because of the difficulties in the way of computation, the choice of a statistical basis upon which to found the ad valorem equivalents, etc. However, it would appear that upon one basis of computation for which good warrant can be furnished the difference between the Democratic bill and the Cummins bill would not be over about 3 per cent. The real interest in the Cummins bill is found in the fact that it restores the specific rates of duty used in the present law and abandons the idea of shifting to an ad valorem basis as suggested by the Democrats in their report already referred to, and as attempted by them in the House bill which they adopted. Mr. Cummins also restores to a dutiable status the items of machinery such as sewing-machines, agricultural implements, and the like, and the items of common use such as nails, barbed wire, etc., which had been placed on the free list by the Democratic bill as a concession to agricultural opinion. Some of the rates fixed by the Cummins bill on heavy products are lower than those in the Democratic

House bill, while others are a good deal higher, the whole figuring out as just indicated. Meanwhile the conservative or "old-line" Republicans in the Senate have taken refuge behind the lack of a Tariff Board report on the metal schedule, notwithstanding that the report of the Commissioner of Corporations on the subject is very complete, while in addition the reports of the Immigration Commission and of the Bureau of Labor have dealt extensively with the conditions of the industry within the past year or two. The discussion on the floor, although languid, has served to show the disposition of Republicans of the conservative variety to make the Tariff Board an excuse for the retention of the present schedules of duty as long as possible, while it has also shown that, on this schedule at least, the difference between the so-called Progressives and Democrats is very small. The insincerity of the situation is further exhibited by the fact that although a wool bill has been passed by the House, and although the Tariff Board some months ago rendered a report on wool, neither of the groups in the Senate seems disposed to take any action with reference to it, notwithstanding they are willing to debate the steel question.

As a result of the disaster to the steamship "Titanic," there is in progress a more active movement for the safeguarding of life at sea than has appeared for a good while in Congress. This movement is likely to have some rather interesting economic effects with reference to conditions of transportation between the United States and foreign countries. While a great multitude of bills has been offered and but little has been actually done thus far, there is practical certainty that before the end of the present Congress, which expires March 4, 1913, the following points will have been acted upon: (1) Provision of adequate lifeboat capacity on board trans-oceanic liners to take care of all passengers and crew in case of disaster; (2) regulation of the use of wireless telegraph apparatus in such a way as to end the present confusion which results from the unauthorized employment of the apparatus by amateurs and others; (3) the calling of an international conference to discuss the question of uniform requirements as to equipment and the choice of routes at sea. Many other subjects have been discussed as a result of the accident but most of them to no purpose. The recommendation that the size and speed of ships be limited has thus far borne no fruit, and whatever is done in that direction is likely to be the result of public opinion rather than of actual legislation. Thus far the measures which have been acted upon in at least one house and are practically certain

of enactment are (*a*) a resolution to call an international maritime conference or convention (House Joint Resolution 299), (*b*) a bill for adequate equipment of sea-going ships (H.R. 24025), and (*c*) a bill for the regulation of the use of wireless telegraph apparatus (H.R. 15357). The question has been raised how provisions of this sort can be enforced by the United States in view of the fact that this country has scarcely any merchant marine and consequently is not in position to make its regulations effective by applying them on its own ships. The inquiry has called attention to an interesting state of affairs in connection with ship-management. It appears that the United States, under present administrative regulations, not only inspects vessels according to our laws, but also inspects the vessels of foreign nations in our ports in accordance with the requirements of the laws of the countries from which these ships come. When such a ship has been inspected, a certificate is issued to it stating that it has been inspected under the requirements of the law of the country in which it is registered. The possession of such an inspection certificate is usually considered necessary to the issuance of clearance papers. By refusing clearance papers to foreign vessels entering United States ports, unless they are equipped in accordance with the provisions of American law, it is supposed that Congress may be able to compel all vessels transporting passengers to or from our ports to conform to the requirements laid down in the proposed new legislation. It is to be expected, therefore, that this will be the method adopted for applying the new safeguards. Economically, the application of the legislation will result in a considerable increase in the cost of operating vessels. The requirement that every passenger vessel shall have a wireless outfit on board with two operators on duty will enhance the cost of operating the smaller vessels, while certain additional requirements as to crews, etc., if adopted as they are now expected to be, will enlarge the running expenses of all ships and particularly the expenses of those of large size. What may be done as a result of the international conference currently planned is not certain, but the tendency will be in the direction already indicated—that of adding to cost of operation.

As a consequence of the decision of the Supreme Court in the case of *Henry* v. *The A. B. Dick Company* a contest which has been long threatening in Congress has broken out. The Dick decision sustained the right of the holder of a patent to enforce a contract against the buyer of the patented article, whereby the latter was compelled to purchase his supplies and new parts used in the future operation of the

machine from the concern of which he bought it. Although this was little more than the reaffirmation of decisions of the courts previously enforced, the fact that the Supreme Court has given its sanction to the view referred to has greatly strengthened the demand the country over for action designed to relieve users of patented articles of the burdens involved in the present state of things. Consequently, a recodification of the present patent law has been prepared in the Patent Office and has been laid before Congress in order to see whether it may not be possible to revise the legislation generally, and particularly to alter the points at which existing law has proved exceptionally oppressive. The introduction of the bill has been the signal for the combined attack of the holders of the patents, who have shown a united strength very similar to that exhibited on other occasions by the beneficiaries of protective tariff legislation. The contest has taken the form of hearings before the House Committee on Patents á propos of a measure (H.R. 23417) known as the Oldfield bill, introduced on April 16, which is the measure recodifying the patent law already referred to. While the new codification contains many points that would have a significant effect upon industry, there are two respects in which the bill is of particular interest. These are found in Sections 17 and 32 of the measure. Section 17 is intended to provide for the granting of compulsory licenses to persons who wish to use an invention which, instead of being manufactured, has been held idle by the patentee. The bill provides for an application for license to be made to the federal authorities and after such application has been made the owner of the patent and the persons applying for the license are to be heard. Then "if the court is satisfied that the reasonable requirements of the public in reference to the invention have not been satisfied by reason of the neglect or the refusal of the patentee . . . . to grant licenses to others on reasonable terms . . . . said court shall issue an order requiring the owner of the patent to grant a license to the person applying therefor in such form and upon such terms . . . . as the court . . . . deems just." In Section 32, it is provided that "every person who purchases of the inventor or discoverer, or, with his knowledge and consent, constructs any newly invented or discovered machine, or other patentable article, prior to the application by the inventor or discoverer for a patent, or who sells or uses one so constructed, shall have the right to use, and vend to others to be used, the specific thing so made or purchased, without liability therefor." Although many features of the bill have been very repugnant to the manufacturers who have thus far appeared, these two propositions have

received far more criticisms than have the others. It is generally admitted that they will greatly modify the conditions under which patented articles are now used, and would thereby bring about an entirely new régime with reference to the existing system of fixed prices to govern the sale of such patented articles or specialties. It is already evident that to secure the passage of this measure will be a process requiring an extremely long and tedious struggle in which practically the whole manufacturing community so far as it is dependent upon patents or inventions will take part. The changes proposed, if made, will, however, immensely alter the status of a very considerable number of businesses, and will make it much easier for small producers to engage in certain lines of work from which they are now practically excluded. So serious does President Taft consider the situation to be, that upon the suggestion of persons interested in the subject he has (May 10) sent to the House a message (H.R., Doc. No. 749, 62d Cong., 2d sess.) in which he urges deliberation, and suggests the appointment of a patent commission to study the situation.